

Message Text

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46

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TO SECSTATE WASHDC 9722

INFO AMEMBASSY PARIS

C O N F I D E N T I A L BONN 00698

EXDIS

DEPT PASS UNDER SECRETARY DONALDSON

PASS NSC FOR COOPER

PASS STR FOR EBERLE

PARIS FOR MALMGREN

1. IN THE COURSE OF CONVERSATIONS IN BONN, AMBASSADOR MALMGREN MET WITH ULF LANTZKE, ASSISTANT SECRETARY OF ECONOMIC AFFAIRS RESPONSIBLE FOR ENERGY MATTERS. THE QUESTION OF WHAT MIGHT BE DONE IN ENERGY CONFERENCE AROSE.

2. LANTZKE SUGGESTED THE FOLLOWING FIVE ITEMS FOR INCLUSION ON THE CONFERENCE AGENDA:

- A. MEASURES TO STABILIZE PRICE AND SUPPLY OF OIL (SEE PARA 3);
- B. COOPERATION WITH PRODUCER COUNTRIES ON A BROAD BASE (WHAT INSTRUMENTS CAN BE USED);
- C. CONSEQUENCES OF OIL SITUATION ON THE WORLD ECONOMY (SEE PARAS 4 AND 5);
- D. NEED FOR INVESTMENT OPPORTUNITIES (BOTH INTERNAL AND EXTERNAL) FOR INCREASED PRODUCERS REVENUES;
- E. MIDDLE AND LONG TERM PROSPECTS FOR RESEARCH AND DEVELOPMENT.

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3. CONSIDERATION OF PRICE STABILIZATION SHOULD INCLUDE PRICE SHOCK TO CONSUMERS OF SUDDEN LARGE INCREASES; EVISINGA FORMULA OR INDEX FOR PROVIDING A FRAMEWORK FOR DETERMINING PRICE FLUCTUATIONS; AND POSSIBILITY OF PRICE ROLLBACKS. IN ADDITION CONSIDERATION SHOULD BE

GIVEN TO MEANS FOR PROTECTING INVESTMENT MADE IN HIGH
COST ENERGY SOURCES FROM POTENTIAL LOWER PRICED OIL
IMPORTS AT CERTAIN TIMES SINCE OIL PRICES ARE NOT A
FACTOR OF COST BUT OF POLITICAL DECISIONS.

4. FRG DOES NOT FAVOR BILATERAL DEALS WHICH THREATEN
TO RESULT IN CONSUMER SCRAMBLE FOR SCARCE SUPPLIES AND
HOPES THEY WILL NOT BE FORCED INTO HAVING TO GO THAT
ROUTE. THEY BELIEVE STATE-TO-STATE ARRANGEMENTS SHOULD
BE WORKED OUT SIMILAR TO FRG DEALS WITH EASTERN
EUROPEAN STATES UNDER WHICH BUSINESS TRANSACTIONS ARE
CARRIED OUT BY PRIVATE COMPANIES UNDER GOVERNMENT
CHAPEAU.

5. DANGER OF OIL CRISIS IS THAT THE NEED TO INCREASE
FOREIGN EXCHANGE EARNINGS MAY FORCE INTENSE SCRAMBLE
FOR EXPORT MARKETS REMINISCENT OF DEPRESSION TRADE WARS.
SIMILARLY CONFERENCE SHOULD CONSIDER EFFECT OF EXCESS
LIQUIDITY OF OIL PRODUCERS ON MONETARY SYSTEM
SPECIFICALLY SDRS.
HIL*ENBRAND

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